

Financial Status Report

Prepared by the Finance Department

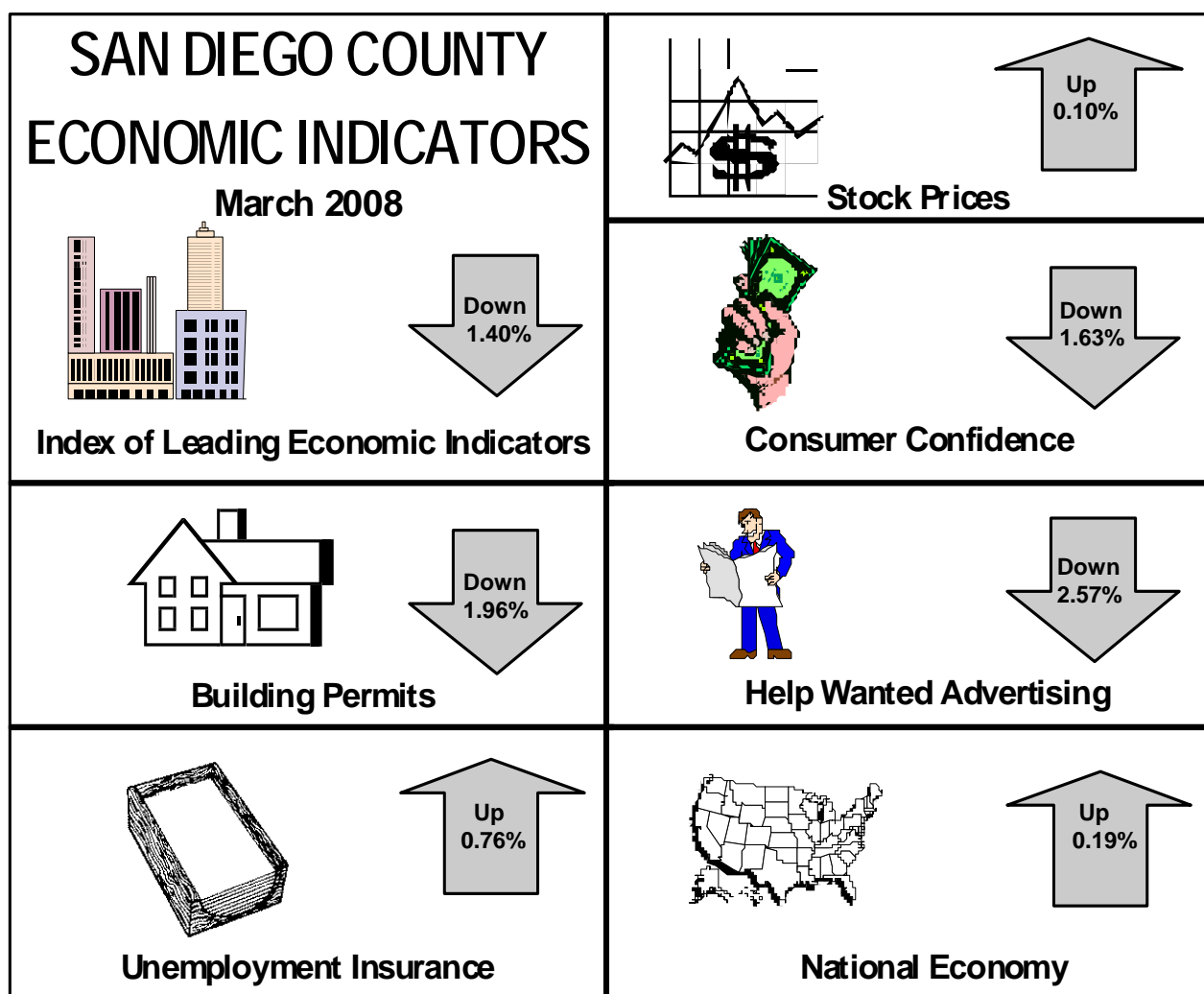


April 30, 2008

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through April 30, 2008. It compares revenues and expenditures for the first ten months of Fiscal Year 2007-08 and Fiscal Year 2006-07. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

SAN DIEGO ECONOMIC INDICATORS



Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, April 30, 2008.

According to the USD Index of Leading Economic Indicators Report:

The University of San Diego's Index of Leading Economic Indicators for San Diego County fell 1.4% in April. The six components were split evenly, but sharp drops in three of the components – building permits, consumer confidence, and help wanted advertising – overwhelmed the much smaller gains in initial claims for unemployment insurance, local stocks prices, and the outlook for the national economy. April's drop was the sixth consecutive significant decline in the Index, which has now fallen in 23 of the last 24 months.

The outlook for the local economy is for continued weakness for the rest of 2008, with job growth flat or even negative. Data for March shows employment down 1,700 jobs compared to the same month in 2007, for the first negative year-to-year job comparison since July 1993. The weak housing market was the chief cause of the decline, with more than 14,000 jobs lost in real estate-related sectors (construction, real estate, and lending). Whether this is the start of a negative trend or just a one month aberration remains to be seen.

Construction plans, as measured by residential units authorized by building permits, have virtually dried up in response to the weak housing market. The 193 residential units authorized in March was the lowest monthly total for building permits since November 1992. Only eight multi-family units were authorized in March, which compares to 804 units authorized in the same month last year and which is the lowest number authorized in a month since only four units were authorized in February 1995. For the first quarter of 2008, total residential units authorized are down more than 63% compared to the first quarter of 2007. Single-family units authorized were down 48% while multi-family units authorized were down nearly 74%. What is particularly troubling is that 2007 was already the slowest year for building permits since 1996. The labor market variables remain mixed. After a post-holiday surge in January, initial claims for unemployment insurance have edged downward, which indicates that mass layoffs are not occurring locally. While job losses are not widespread, the hiring side of the market remains weak, with help wanted advertising now down 19 straight months. The net result was the local unemployment rate rising to a five-year high of 5.3% in March. Local consumer confidence suffered its largest one month decline ever as gas prices hit record highs. Combined with bad news on the housing and jobs market, local consumer confidence is at an all-time low, down more than 40% from a year ago. Local stock prices ended a four month losing streak by edging up slightly in April. The national Index of Leading Economic Indicators turned upward for the first time in six months. But GDP numbers for the first quarter are likely to be negative, as the national economy has lost jobs in each of the first three months of 2008.¹

TOP GENERAL FUND REVENUES

Property Taxes (\$39.1 million) – Property taxes to date reflect a 9% increase over Fiscal Year 2006-07. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 9.9% for Fiscal Year 2007-08. This is the lowest growth percentage in assessed values that the City has seen in the past five fiscal years. This reflects a countywide slow down in property valuation,

but it should be noted that the City of Carlsbad still had the second largest increase year over year of any city in San Diego County.

While the 9.9% increase in assessed values for the City reflects the assessed value of all of the taxable property in the City, there are several factors that affect the amount of property taxes received to date. According to Gregory Smith, the San Diego County Assessor, "The residential real estate market has changed from a seller's to a buyer's market in San Diego County." This change has resulted in lower sales prices in the residential market, an increase in property reassessments, and an increase in delinquencies.

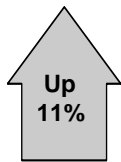
¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down Sharply in March*, April 30, 2008.



Sales Taxes (\$21.1 million) – For the first ten months of the fiscal year, sales tax revenues are \$590,000 (or 3%) higher than the same time period in the previous fiscal year. Sales tax revenues to date represent actual sales tax receipts for the second, third and fourth quarters of the calendar year, as well as the first two advances of the City's first quarter sales tax revenues for Calendar Year 2008. Advances are based on prior year activity, and are not a true indicator of the current economy. The four primary factors in the 3% increase this year include a slight growth in sales tax revenues during the second and third calendar quarters of 2007, the State Board of Equalization slightly raising the growth factor applied to the monthly advance in the first calendar quarter of 2008, several one-time payments received as a result of audit findings from previous periods, and a 14% increase in the semiannual "Triple Flip" receipt. The increased "Triple Flip" receipt was based on the growth in sales tax revenues during Fiscal Year 2006-07.

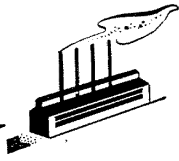
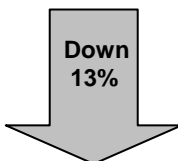
For sales occurring in the fourth calendar quarter of 2007 (the most recent data available), key gains could be seen in light industry, service stations, and apparel/department stores. During the same period, key declines could be seen in new auto sales, electronic equipment, and miscellaneous retail. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 0.5% for sales occurring in the twelve months ended December 31, 2007 over the same twelve-month period last year.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 68% of the City's sales tax revenues.



Transient Occupancy Tax (\$11.9 million) – Transient Occupancy Taxes (TOT) for the first ten months reflects an increase of \$1.2 million, 11% over the previous year. The two largest hotels contributed 43% of this increase. Strong tourism throughout the rest of the City accounted for 37% of the increase. The remaining 20% of the increase is due to the timing of payments received. Over the past twelve months, the average occupancy rate for reporting hotels has been 62%. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of March 2008.

Although the Olympic Resort recently closed its hotel rooms (78 rooms) for conversion into a health club, the Hampton Inn (94 rooms) opened to the public in December 2007, and the Sheraton Carlsbad Ranch (129 rooms currently open) and the Homewood Suites (150 rooms) opened to the public in February 2008. Currently, there are 3,385 hotel rooms and 664 vacation rentals (timeshares) in the City.



Franchise Taxes (\$4.6 million) – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are down \$693,000 over the same period last year due primarily to a large decrease in the annual franchise tax paid by SDG&E.

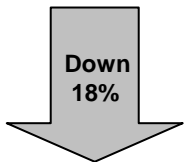
SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E also pays an "in-lieu" franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of "in-lieu" taxes collected is from Cabrillo Power, the operator of the Encina Plant. This "in-lieu" tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E are down in total by 27%. Net electricity sales increased by 17%, while gas sales decreased by 3%. The "in-lieu" taxes are down by 52% for the year. The drop in "in-lieu" taxes is more a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E, rather than the price of natural gas.



Income from Investments and Property (\$3.4 million) – For the first ten months of the fiscal year, income from investments and property is up \$255,000 compared to the previous year. The higher revenue is a combination of an increase in interest income (up 10%) and an increase from the rental of City-owned property (up 1%).

Interest income is up for the year due to the effects of a 2% increase in the average daily cash balance for the year, combined with a 4% increase in the average yield on the portfolio for the first ten months of the fiscal year.

Income from property rentals and sales is up compared to the previous year primarily due to additional library facility, recreation site and pool rentals.



Development-Related Revenues (\$3.1 million) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease for the year. According to the annual budget, it is anticipated that these revenues will decline in total by almost 36% for the entire fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. The largest development-related revenue source year-to-date is engineering plan check fees, which is one of the first fees paid during the initial stages of development. These fees are up for the year due to the initial steps of development at some of the last remaining master planned projects in Carlsbad including: Robertson Ranch, Cantarini Ranch and Holly Springs. Some of the activity in April included residential development at Robertson Ranch and the Greens development in the Villages of La Costa, as well as commercial/industrial development in Bressi Ranch, several office buildings within Opus Point, and industrial development in the Oaks North Industrial Park.

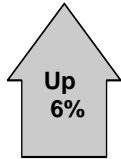
Another source of development-related revenue is building permits, which are down 20% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential and commercial/industrial building permits issued. The valuation of new construction in the current fiscal year is just under \$185.8 million, while it was just under \$237.3 million in the previous fiscal year, a 21.7% decrease. The pace of residential construction picked up in April, with builders pulling permits for 38 units. In the Northwest Quadrant, six miscellaneous permits were issued; in the Southwest Quadrant, a permit was issued for 12 units as part of the live/work units within the Bluwater Crossing development; and in the Southeast Quadrant, 13 single-family homes were permitted in Trieste Place (the Greens) and seven permits were issued for single-family homes in the San Vincenzo neighborhood (the Ridge). For the first ten months of the fiscal year, 290 residential permits were issued, as compared to 357 permits issued during the same period last year.

For the month of April, the City issued 14 permits for new reportable non-residential space, for a total of 191,339 square feet. In the Northwest Quadrant, a permit was issued for 16,249 square feet of commercial space as part of a mixed-use development on Carlsbad Village Drive, 86,730 square feet of industrial space on Rutherford Road, and 1,313 square feet of commercial space as part of the Grand Pacific Resorts; in the Northeast Quadrant, 1,823 square feet of commercial space for a recreation center in Robertson Ranch; in the Southwest Quadrant, 11,654 of commercial space as part of the live/work units within the Bluwater Crossing development; and in the Southeast Quadrant, eight permits were issued for a total of 53,103 square feet of commercial space in Bressi Ranch and 20,467 square feet of industrial space on La Costa Avenue. Year-to-date there has been a combined 963,295 square feet in commercial/ industrial permits issued, as compared to 1,602,482 square feet at this time in Fiscal Year 2007.



Business License Tax (\$2.9 million) – Business license revenues have increased by \$340,000 compared to Fiscal Year 2007. 55% of this increase is due to timing differences. We had three of the City's larger businesses pay for their licenses in April this year, when last year they paid in May and June.

There is a slight decrease in the number of licenses issued this year over last year. We have 8,518 licensed businesses operating within the City, down 27 from the prior year. In addition to timing differences, the remainder of the increase in revenue is due to increased business volumes, which translates into more taxes, as most taxes are based on gross receipts. The majority of taxed businesses (5,934 businesses) are located in Carlsbad, with 2,557 of these businesses home-based.

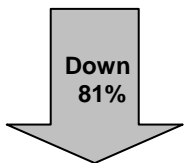


Interdepartmental Charges (\$1.9 million) – Interdepartmental charges are \$99,000, or 6% higher than last year. These charges are generated through engineering services charged to capital projects (up 23%), miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 6%) and reimbursed work from other departments outside of the General Fund (down 75%).



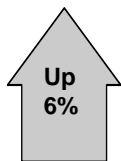
Ambulance Fees (\$1.6 million) – The City bills any individual who is transported in one of the City's ambulances. Through April 2008, receipts from ambulance fees are up 23% or \$309,000 higher than last fiscal year at this time. Ambulance revenues have been impacted by an increase in the number of transported patients that were billed in the first ten months of Fiscal

Year 2007-08 (3,272) versus Fiscal Year 2006-07 (2,663). In June of 2007, the City implemented an electronic transmission system, which has increased the efficiency of billing for ambulance services.



Other Intergovernmental Revenues (\$1.6 million) – Other intergovernmental revenues include miscellaneous receipts received from the State or Federal governments, as well as local school districts. Included in the \$1.6 million received this year are state library grants, senior nutrition grant funds, reimbursements for Peace Officer Standards and Training (POST) expenses,

State mandated costs reimbursements, state and federal disaster preparedness funds, Law Enforcement Terrorism Program funding, a firearms training simulator grant, school resource officer reimbursements, money received from the County of San Diego for police task force reimbursements, and reimbursements received from the Federal Highway Administration (FHWA) for the 2005 winter storm damage in the City. A major factor in this year's decrease is the assistance the City received from FHWA (\$6.2 million last fiscal year versus \$675,000 this fiscal year) for the 2005 winter storm damage in the City.



Recreation Fees (\$1.5 million) – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$84,000 higher than the previous fiscal year. The largest factors in this year's increase are increased participation in instructional

classes, youth and adult sports, and the annual triathlon. These increases were partially offset by lower revenues in arts camps and the various aquatic programs.

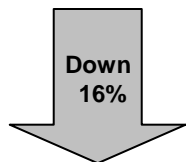


Fines and Forfeitures (\$1.1 million) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. An increase in the number of moving citations issued has led to

additional revenues received by the City, although the majority of moving violation revenue is paid to the courts for the administration of these citations.

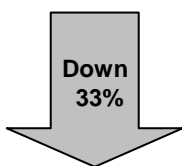
ADDITIONAL GENERAL FUND REVENUES

Although the top General Fund revenues represent approximately 96% of all General Fund revenues, the City does have some other revenue sources, although much smaller in scale. Each month, we will highlight other revenue sources to give you some insight as to how these revenues are derived and how they are doing in the current fiscal year.



Transfer Taxes (\$671,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The City receives 50% of the transfer tax charged for sales within the City of Carlsbad. The continued slowdown in the housing

market is reflected in the decrease in taxes received year-to-date.



Vehicle License Fees (\$385,000) – Vehicle License Fees (VLF) have decreased by \$193,000 over 2006-07 figures. The primary factor in the lower revenues this year is two additional payments were received in the prior fiscal year from the Department of Motor Vehicles (DMV). These payments represented additional VLF revenues collected in Fiscal Year 2004-05 and 2005-06 by the State. Pending legislation in prior years created a delay in the City receiving the 2004-05 additional payment in the correct fiscal year. Additionally, total VLF collected at the State level has decreased in 2007-08 as compared to 2006-07. These revenues are allocated to the various jurisdictions throughout the State on a prorated basis, based on population. VLF collected through April 2008 represents transactions occurring through March 2008.

VLF are collected by the DMV and disbursed by the State Controller to the City. The State taxes motor vehicles in lieu of local property taxes. Registered vehicles include automobiles, trucks, trailers, and motorcycles.

EXPENDITURES

Total General Fund expenditures and encumbrances through April 2008 are \$109.9 million, compared to \$92.2 million at the same time last year. This leaves \$39.3 million, or 26.3%, available through the fiscal year-end on June 30, 2008. If funds were spent in the same proportion as the previous year, the General Fund would have 26.9% available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at April 30, 2008 is 27.0%, slightly less than the 27.8% available at April 30, 2007. Some of the larger factors reflected in the increase in committed funds for the current year is an update of the City's General Plan, Local Coastal Program and Zoning Ordinance; the purchase of a fire rescue ambulance and replacement equipment; the purchase of furniture and equipment for the Senior Center expansion; an increase in routine and emergency traffic signal maintenance; additional funds transferred to the Infrastructure Replacement Fund for the future major maintenance and replacement of City infrastructure; the upgrading of the City's financial information system; costs related to the fires in San Diego County in October of 2007; costs related to the Tamarack Avenue sink hole emergency repair; and the partial funding of the Joint First Responders Training Facility.

The City Council has allocated \$2.24 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of April 30, 2008, just under \$1.3 million has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$2,240,000		
USES:			
School Adult Crossing Guard Services Contract	(27,610)	08/07/2007	2007-202
Purchase of a Fire Rescue Ambulance and Replacement Equipment	(156,670)	09/11/2007	2007-237
"In Kind" Service Assistance for the 2007 La Costa Canyon Homecoming Parade	(1,052)	09/18/2007	2007-249
City Manager Recruitment Expenses	(70,000)	09/18/2007	2007-250
"In Kind" Service Assistance for the 2007 Carlsbad High School Homecoming Parade	(2,540)	09/18/2007	2007-250
"In Kind" Service Assistance for the Carlsbad Christmas Bureau	(557)	12/04/2007	2007-305
Review of NRG's Proposal to Construct a New Power Plant at the Encina Power Station	(200,000)	12/11/2007	2007-312
City Education Efforts for Charter City Initiative	(45,000)	02/05/2008	2008-030
Tamarack Avenue Sink Hole Emergency Repair	(750,000)	02/19/2008	2008-046
Legal Services Related to Adult Business Zoning	(35,000)	03/18/2008	2008-071
TOTAL USES	<u>(1,288,429)</u>		
AVAILABLE BALANCE	<u>\$951,571</u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 04/30/08	ACTUAL FY 2007 AS OF 04/30/07	ACTUAL FY 2008 AS OF 04/30/08	CHANGE FROM YTD 2007 TO YTD 2008	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$40,973,196	\$35,797,179	\$39,122,435	\$3,325,256	9%
SALES TAX	20,984,279	20,477,465	21,067,431	589,966	3%
TRANSIENT TAX	11,259,398	10,666,240	11,868,512	1,202,272	11%
FRANCHISE TAX	5,551,610	5,278,233	4,585,397	(692,836)	-13%
BUSINESS LICENSE TAX	2,739,354	2,552,034	2,892,364	340,330	13%
TRANSFER TAX	641,571	799,176	671,376	(127,800)	-16%
TOTAL TAXES	82,149,407	75,570,327	80,207,515	4,637,188	6%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	594,727	578,795	385,304	(193,491)	-33%
HOMEOWNERS EXEMPTIONS	190,000	185,315	185,429	114	0%
OTHER	1,884,069	8,218,367	1,597,850	(6,620,517)	-81%
TOTAL INTERGOVERNMENTAL	2,668,796	8,982,477	2,168,583	(6,813,894)	-76%
LICENSES AND PERMITS					
BUILDING PERMITS	578,641	807,493	649,096	(158,397)	-20%
OTHER LICENSES & PERMITS	721,467	896,805	1,010,114	113,309	13%
TOTAL LICENSES & PERMITS	1,300,108	1,704,298	1,659,210	(45,088)	-3%
CHARGES FOR SERVICES					
PLANNING FEES	384,852	953,048	549,728	(403,320)	-42%
BUILDING DEPARTMENT FEES	562,517	606,972	527,259	(79,713)	-13%
ENGINEERING FEES	875,343	1,378,415	1,333,726	(44,689)	-3%
AMBULANCE FEES	1,304,167	1,320,761	1,629,587	308,826	23%
RECREATION FEES	1,458,763	1,428,944	1,512,788	83,844	6%
OTHER CHARGES OR FEES	688,301	671,910	981,694	309,784	46%
TOTAL CHARGES FOR SERVICES	5,273,943	6,360,050	6,534,782	174,732	3%
FINES AND FORFEITURES	895,888	1,041,083	1,094,805	53,722	5%
INCOME FROM INVESTMENTS & PROPERTY	3,102,076	3,105,488	3,360,612	255,124	8%
INTERDEPARTMENTAL CHARGES	2,141,667	1,776,090	1,874,935	98,845	6%
OTHER REVENUE SOURCES	722,393	651,110	489,494	(161,616)	-25%
TOTAL GENERAL FUND	\$98,254,278	\$99,190,923	\$97,389,936	(\$1,800,987)	-2%
	(1)				
(1) Calculated General Fund revenues are 0.9% below estimates as of April 30, 2008.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
DEPT	DESCRIPTION	TOTAL	AS OF 04/30/08		
		BUDGET FY 2007-08	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$432,183	\$313,314	\$118,869	27.5%
	CITY MANAGER	1,842,402	1,340,468	501,934	27.2%
	COMMUNICATIONS	1,453,835	1,139,457	314,378	21.6%
	CITY CLERK	197,614	121,768	75,846	38.4%
	CITY ATTORNEY	1,405,263	1,055,020	350,243	24.9%
	CITY TREASURER	211,025	139,579	71,446	33.9%
	TOTAL POLICY/LEADERSHIP	5,542,322	4,109,606	1,432,716	25.9%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	1,095,523	761,073	334,450	30.5%
	ENVIRONMENTAL RESOURCES MGMT.	360,450	220,533	139,917	38.8%
	FINANCE	4,077,112	3,106,646	970,466	23.8%
	HUMAN RESOURCES	3,795,969	2,211,068	1,584,901	41.8%
	RECORDS MANAGEMENT	1,030,803	729,002	301,801	29.3%
	TOTAL ADMINISTRATIVE SERVICES	10,359,857	7,028,322	3,331,535	32.2%
PUBLIC SAFETY					
	POLICE	26,989,010	21,220,692	5,768,318	21.4%
	FIRE	19,152,969	14,416,131	4,736,838	24.7%
	TOTAL PUBLIC SAFETY	46,141,979	35,636,823	10,505,156	22.8%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	3,362,486	2,705,809	656,677	19.5%
	HIRING CENTER (c)	88,000	84,923	3,077	3.5%
	GEOGRAPHIC INFORMATION	563,767	396,997	166,770	29.6%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	329,839	233,508	96,331	29.2%
	PLANNING	5,097,835	3,315,261	1,782,574	35.0%
	BUILDING	2,355,856	1,785,248	570,608	24.2%
	TOTAL COMMUNITY DEVELOPMENT	11,797,783	8,521,746	3,276,037	27.8%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	6,830,601	4,594,803	2,235,798	32.7%
	SENIOR PROGRAMS	1,356,333	960,520	395,813	29.2%
	LIBRARY	10,963,386	7,765,306	3,198,080	29.2%
	CULTURAL ARTS	1,012,324	841,685	170,639	16.9%
	TOTAL COMMUNITY SERVICES	20,162,644	14,162,314	6,000,330	29.8%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	1,844,230	881,267	962,963	52.2%
	ENGINEERING	10,793,167	7,047,658	3,745,509	34.7%
	PARKS	6,187,215	4,752,431	1,434,784	23.2%
	STREETS & TRAFFIC SIGNALS	4,507,725	3,656,986	850,739	18.9%
	FACILITIES	5,301,851	3,599,312	1,702,539	32.1%
	TOTAL PUBLIC WORKS	28,634,188	19,937,654	8,696,534	30.4%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	6,099,962	1,437,133	4,662,829	76.4%
	TRANSFERS OUT	19,471,800	19,025,000	446,800	2.3%
	CONTINGENCY	951,571	0	951,571	100.0%
	TOTAL NON-DEPT & CONTINGENCY	26,523,333	20,462,133	6,061,200	22.9%
TOTAL GENERAL FUND		\$149,162,106	\$109,858,598	\$39,303,508	26.3%

(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, 2005 storm damage costs, Tamarack Avenue sink hole emergency repair and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.

* Amount available would be 26.9% if funds were spent in the same proportion as the previous year.

WATER ENTERPRISE

WATER OPERATIONS FUND
APRIL 30, 2008

	BUDGET FY 2007-08	YTD 04/30/2007	YTD 04/30/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
WATER DELIVERY	21,319,904	16,118,973	16,175,534	56,561	0.4%
MISC. SERVICE CHARGES	214,300	196,678	174,875	(21,803)	-11.1%
PROPERTY TAXES	2,488,479	2,185,336	2,396,319	210,983	9.7%
FINES, FORFEITURES & PENALTIES	255,000	221,210	217,320	(3,890)	-1.8%
INTEREST	326,216	469,902	131,848	(338,054)	-71.9%
OTHER REVENUES	514,500	478,872	528,843	49,971	10.4%
TOTAL OPERATING REVENUE	25,118,399	19,670,971	19,624,739	(46,232)	-0.2%
EXPENSES					
STAFFING	3,039,451	2,310,412	2,397,560	87,148	3.8%
INTERDEPARTMENTAL SERVICES	2,326,132	1,856,511	1,950,420	93,909	5.1%
PURCHASED WATER	13,500,000	8,884,000	8,764,689	(119,311)	-1.3%
MWD/CWA FIXED CHARGES	2,689,925	1,831,604	1,988,149	156,545	8.5%
OUTSIDE SERVICES/MAINTENANCE	630,617	573,706	381,913	(191,793)	-33.4%
DEPRECIATION/REPLACEMENT	2,993,000	2,368,250	2,468,000	99,750	4.2%
CAPITAL OUTLAY	11,650	2,983	69,675	66,692	2235.7%
MISCELLANEOUS EXPENSES	1,122,536	460,714	528,159	67,445	14.6%
TOTAL OPERATING EXPENSES	26,313,311	18,288,180	18,548,565	260,385	1.4%
OPERATING INCOME/(LOSS)	(1,194,912)	1,382,791	1,076,174	(306,617)	-22.2%

Revenues

No
Change

- Flat water delivery revenues are the result of a combination of a 6% decrease in the number of water units sold, an overall 9% increase in water rates (water sales and delivery charges) that went into effect in November 2007, and an additional 2,238 residential water customers over the last twelve months.

- The decrease in miscellaneous service charges is the result of a change in the allocation of utility billing administrative fee revenues.
- The decrease in interest revenue is due to the Marbella settlement costs and legal fees paid by the Enterprise in August 2007, but reflected in the 2006-07 Fiscal Year expenses.
- Other revenues reflect reimbursements received by the Enterprise relating to the Marbella settlement.

Expenses

Up
1%

- Purchased water expenses reflect a 9.5% decrease in purchased water units netted with a 7% increase in the cost per acre foot of water.
- Costs in Fiscal Year 2006-07 related to the proposed desalination facility, prior year asphalt/street repairs, and prior year water main repairs at Mystra and College/Cannon, are reflected in the decrease in outside services and maintenance.
- The purchase of additional replacement meters and supplies in the current fiscal year have resulted in an increase in miscellaneous expenses.

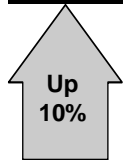
Outlook

Currently, the operating results for the Enterprise reflect year-to-date net income of \$1.1 million. April figures reflect ten months of water sales, yet only nine months of water purchases are recorded at this time. In addition, depreciation expenses are only recorded on a quarterly basis. Based on activity to date, we project that the Enterprise deficit will be between \$500,000 and \$1 million by the end of the fiscal year. There is a sufficient retained earnings balance to cover this projected deficit.

WASTEWATER ENTERPRISE

WASTEWATER OPERATIONS FUND
APRIL 30, 2008

	BUDGET FY 2007-08	YTD 04/30/2007	YTD 04/30/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
CHARGES FOR CURRENT SERVICES	8,320,565	6,130,096	6,664,647	534,551	8.7%
INTEREST	145,770	199,473	156,263	(43,210)	-21.7%
OTHER REVENUES	273,436	165,379	290,637	125,258	75.7%
TOTAL OPERATING REVENUE	8,739,771	6,494,948	7,111,547	616,599	9.5%
EXPENSES					
STAFFING	1,494,962	830,950	944,098	113,148	13.6%
INTERDEPARTMENTAL SERVICES	1,269,141	873,715	936,704	62,989	7.2%
ENCINA PLANT SERVICES	3,382,381	1,153,119	1,458,712	305,593	26.5%
OUTSIDE SERVICES/MAINTENANCE	271,484	135,157	299,908	164,751	121.9%
DEPRECIATION/REPLACEMENT	3,332,000	1,582,500	1,806,668	224,168	14.2%
CAPITAL OUTLAY	816,200	53,841	10,967	(42,874)	-79.6%
MISCELLANEOUS EXPENSES	409,622	290,893	309,493	18,600	6.4%
TOTAL OPERATING EXPENSES	10,975,790	4,920,175	5,766,550	846,375	17.2%
OPERATING INCOME/LOSS	(2,236,019)	1,574,773	1,344,997	(229,776)	-14.6%

Revenues

- The increase in charges for current services is primarily the result of an additional 1,690 new residential sewer customers over the past twelve months, as well as a 10.6% rate increase that went into effect in November 2007.
- Decreased interest revenue is the result of an 18% lower average daily cash balance combined with a 4% increase in the yield on the portfolio for the year.
- Encina's second quarter billing contained adjustments to the prior year amounts billed to the Enterprise. This resulted in a \$90,000 reimbursement in the current year as reflected in the increase in other revenues.

Expenses

- Increased staffing costs are the result of filling vacant positions created in the previous fiscal year due to retirements.
- Higher chemical and staffing costs, as well as utility costs related to the new office building are reflected in the Encina plant services.
- Costs related to the implementation of a work order system as well as the rental of a Vactor truck over the first six months of the fiscal year, can be seen in the increase in outside services and maintenance expenses.
- Higher depreciation expenses are the result of recently acquired wastewater infrastructure, facilities and equipment.

Outlook

Currently, the operating results for the Enterprise reflect year-to-date net income of \$1.4 million. Based on activity to date, we project that the Enterprise deficit will be between \$1.5 and \$2.0 million by the end of the fiscal year, as the largest expenses for the Enterprise, Encina plant and depreciation expenses, are only recorded on a quarterly basis. There is a sufficient retained earnings balance to cover this projected deficit.

REDEVELOPMENT AGENCY

CARLSBAD REDEVELOPMENT AGENCY VILLAGE PROJECT AREA OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS APRIL 30, 2008					
	BUDGET FY 2007-08	YTD 04/30/2007	YTD 04/30/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
PROPERTY TAXES	2,748,000	2,333,711	2,360,003	26,292	1.1%
INTEREST	70,000	74,626	106,084	31,458	42.2%
OTHER REVENUES	48,500	43,835	67,014	23,179	52.9%
TOTAL OPERATING REVENUE	2,866,500	2,452,172	2,533,101	80,929	3.3%
EXPENDITURES					
STAFFING	186,474	146,912	168,037	21,125	14.4%
INTERDEPARTMENTAL SERVICES	94,893	71,051	79,078	8,027	11.3%
RENTALS & LEASES	170,254	144,653	149,466	4,813	3.3%
DEBT EXPENSE	1,046,165	1,048,878	1,046,303	(2,575)	-0.2%
CAPITAL OUTLAY	992,874	30,454	842,990	812,536	2668.0%
OUTSIDE SERVICES, MAINT & MISC	141,074	141,140	79,178	(61,962)	-43.9%
TOTAL OPERATING EXPENDITURES	2,631,734	1,583,088	2,365,052	781,964	49.4%
TOTAL OPERATING REVENUES OVER EXPENDITURES	234,766	869,084	168,049	(701,035)	-80.7%

Revenues

- Property taxes received year-to date reflects a 1.1% increase, although assessed values for the year have increased by 2.2% in the Village Redevelopment Area.
- Increased interest revenue is the result of a 33% higher average daily cash balance combined with a 4% increase in the yield on the portfolio for the year.
- Increased other revenues are the result of lease revenues from the Sowing Sisters and permit revenue from the Hotel Lumiere project.

Expenditures

- Increased staffing costs are the result of normal salary and related benefits increases, the reallocation of staff salaries and the filling of a previously vacant part-time position.
- Higher interdepartmental charges are the result of the increased costs of information technology services.
- Debt expenses to date represent both bond payments by the Agency.
- The majority of the capital outlay expenditures relate to the Senior Center expansion, and Village concrete and other hardscape repairs.
- During the previous fiscal year, the Agency was conducting a downtown village retail analysis and revitalization project, as well as performing a design standards review, as reflected in the reduction in outside services, maintenance and miscellaneous expenditures.

Outlook

Due to higher than anticipated property tax revenues, we anticipate that the Agency will end the year with operating income between \$500,000 and \$800,000.